Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Secret

25X1

DDP

DIRECTORATE OF
INTELLIGENCE

ILLEGIB

WEEKLY SUMMARY

State Dept. review completed

Secret

20 February 1970
No. 0358/70

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1 Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Page Denied

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

C O N T E N T S

(Information as of noon EST, 19 February 1970)

Far East

	Page
THE WEEK IN PERSPECTIVE	1
VIETNAM Le Duan has issued a major new policy statement in Hanoi. Action in the war remains light, and the South Vietnamese have recently scored a number of local successes. The legality and wisdom of the Saigon government's proposed court action against two Lower House deputies are again being questioned.	2
COMMUNISTS MAKE SWEEPING GAINS IN NORTH LAOS The Communist offensive against the Plaine des Jarres is chalking up steady and substantial gains, and the government faces the prospect of losing control soon over the entire area.	5
25X1	
MASS TRIALS IN COMMUNIST CHINA An anticorruption campaign has produced a wave of public trials, but many of those in the dock are probably guilty mainly of being losers in recent political struggles.	8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Europe

THE WEEK IN PERSPECTIVE 9

[redacted] 25X1

IAEA FACES A NEW ROLE 12
Next month's entry into force of the Nonproliferation Treaty will increase the importance of the IAEA, which must supervise its safeguards provision.

ITALY SEEKS NEW CENTER-LEFT GOVERNMENT 13
The long-expected negotiations looking toward a new center-left government got under way last week with the naming of Christian Democrat Mariano Rumor as prime minister - designate.

SPANISH FOREIGN MINISTER SCORES ON PARIS VISIT 14
Foreign Minister Lopez Bravo's warm reception in Paris last week will make for closer relations and will further his aspirations for a larger role for Spain in international affairs.

THE POLITICS OF SUCCESSION IN YUGOSLAVIA 15
Political jockeying in Yugoslavia has been generated by an awareness that the 77-year-old Tito will not be around forever.

HUNGARY PURSUES WESTERN TRADE 16
Proceeding from a surprisingly large increase in exports to the West last year, Hungary is looking for more trade and industrial cooperation schemes with the West.

FINLAND PREPARES FOR PARLIAMENTARY ELECTIONS
Political polls forecast a shift away from the parties in power, but the necessity to gain Moscow's acceptance of any Finnish coalition would seem to rule out any significant change in the government that will take office after the March elections.

[redacted] 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Middle East - Africa

THE WEEK IN PERSPECTIVE 17

USSR TAKES TOUGH LINE ON MIDDLE EAST 18
The Soviet press is taking a more obdurate line as Moscow awaits Washington's decision on whether to give additional aircraft to the Israelis, who have resumed bombing close to Cairo.

TENSION SUBSIDES IN JORDAN--FOR THE MOMENT 19
Tension in Amman has slacked off sharply, but the apparent calm may be only a pause if the King--as he has hinted--still intends to try bringing the Arab-fedayeen under some measure of control.

INDIAN PARLIAMENT OPENS FOR CRUCIAL SESSION 20
Prime Minister Gandhi's "progressive" program and political skills will be tested as never before by the strongest opposition ever assembled in India.

INTRAPARTY RIFT CAUSES POLITICAL CRISIS IN TURKEY 21
Turkey's current political crisis, precipitated by dissident members of the ruling Justice Party, culminates a lengthy struggle for power between the conservative and liberal wings of the party.

PAKISTAN MOVES TO AVERT FOODGRAIN SHORTAGES IN EAST 22
Rawalpindi is trying to ensure adequate food supplies in East Pakistan during the last half of 1970 by making early arrangements for imports of US grain.

Western Hemisphere

THE WEEK IN PERSPECTIVE 23

BOLIVIAN GOVERNMENT CONTINUES LEFTIST COURSE 24
Although President Ovando has moderated his statements in recent weeks, he does not seem disposed to reverse the leftist trend of his government.

DOMINICAN PRESIDENT SET FOR RE-ELECTION ANNOUNCEMENT 25
President Balaguer is heavily committed to seeking re-election in May despite some high-level defections in his party and the prospect of increased urban violence.

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

BAHAMAS TIGHTENS CONTROL OF FOREIGN BUSINESSES 26
New government efforts to control the foreign business community are again unsettling investment and political circles in the Bahamas.

CARIBBEAN BLACK POWER CONFERENCE SCHEDULED 27
The meeting will be held from 9 to 12 July in Barbados. Any spontaneous island-wide disorders would severely tax Barbados' small security force.

GUATEMALAN ELECTIONS--A DEFIANCE OF HISTORY
If the elections scheduled for 1 March take place and a legally elected government is installed in July, Mendez will be the third elected president since 1821 to serve a full term in Guatemala. The shortness of the time remaining before the balloting increases the probability that the elections will actually be held. The postelection period, however, may well develop into one of crisis.

[redacted]

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

FAR EAST

The North Vietnamese offensive in north Laos has moved steadily forward since it began just over a week ago, and the government faces the prospect of soon losing control of the entire Plaine des Jarres. The enemy, who has paid heavily for the advance, appears willing to sacrifice the personnel and materiel necessary to regain control of the Plaine. Farther north, the Communists have overrun the remaining government outposts near Pak Beng, thus achieving their long-sought goal of clearing the government from the Nam Beng Valley.

North Vietnamese party First Secretary Le Duan has followed up his recent emergence from four months of seclusion by publishing a major policy statement on behalf of the regime. Le Duan's article, billed as a "very important and basic document," is the first across-the-board policy review promulgated since Ho Chi Minh's death. The full text, not yet available in the West, could provide valuable insights into Hanoi's priorities for domestic affairs and for the war in the South.

Battlefield action in South Vietnam has remained at a low level, but the Saigon government found itself engaged once again by opposition elements immediately after the Tet holidays. Ethnic Khmer Buddhists have renewed their demonstrations against alleged government discrimination, and the Thieu administration is being criticized anew for its decision to try two Lower House deputies charged with having Communist connections.

Philippine President Marcos is having some success in deflecting student ire over domestic ills and corruption onto the US. The circumstances of a rowdy student demonstration at the US Embassy in Manila on 18 February indicate that it was officially encouraged. Not only were there persistent radio reports in advance of the incident that a demonstration was expected at the embassy, but the police did not respond to official US calls for protection until the US compound had been under attack by demonstrators for almost an hour. Marcos remains on the defensive as most students appear intent on continuing to air domestic issues, especially in view of the concessions they have already succeeded in extracting from the president.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

VIETNAM

Le Duan, Hanoi's party first secretary, has issued a major new policy statement on behalf of the regime. The statement, of which only a short summary is available in the West so far, pre-empted all 12 pages of the party daily on 14 February. The attendant publicity buildup describes the work as a "very important and very basic document"--language usually reserved for only the most authoritative and comprehensive party statements. The last pronouncement with comparable billing, length, and scope was the report by Truong Chinh in mid-1968 signaling Hanoi's return to a "protracted war" strategy in the South and calling for increased attention to internal problems in North Vietnam.

Le Duan emerged only two or three weeks ago from four months of seclusion, and his article is the first across-the-board policy review from the top leadership since Ho Chi Minh's death last September. The summary contains few hints of major policy shifts, but the full text, with its apparent detailed discussions of history, strategy, and tactics, could provide the latest word on current Communist objectives and strategy in the South. It may also give an inkling of the priority Hanoi attaches to the war in relation to its other foreign and domestic concerns. Moreover, such long and detailed discussions have often disclosed the special views or preoccupations of individual leaders and have provided insights into policy differences within the leadership.

Quiet on the Battlefield

Whatever the nuances of Le Duan's pronouncement, there is little doubt that "protracted war" remains the watchword for Communist forces in South Vietnam. There was little military action during the last week despite signs that the Communists had hoped to follow up the Tet holiday with a show of force. In part, this reflects the general effort they are making to hold down battle casualties by moving only after careful preparation. It appears increasingly clear that the enemy is giving local commanders greater leeway in deciding where and when to attack. Apparently not many commanders considered themselves well enough situated last week to initiate action.

South Vietnamese forces have been able to score well in some local engagements recently. Regular units supported by tanks killed more than 200 Communists in a series of battles south of Da Nang. In War Zone "D," north of Saigon, irregular troops led by US and South Vietnamese Special Forces captured one of the largest enemy munitions caches ever seized in the war. South of Saigon, a South Vietnamese task force apparently has succeeded in blocking the infiltration of large North Vietnamese elements from Cambodian sanctuary into the upper delta.

The Communists struck back strongly in the delta later in the week, however, ambushing and badly mauling a 150-man South Vietnamese patrol in Kien Hoa Province. Other

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Communist units continue to resupply and reconnoiter allied positions, presumably in preparation for coming attacks. They remain capable of launching a spring campaign, including widespread shellings and ground probes, with little warning.

Troubles on the Political Front

Although the battlefield remained relatively calm, the South Vietnamese Government found itself again engaged on the political home front by opposition elements. Almost immediately after the Tet holidays, some 1,000 Buddhist monks of Cambodian (ethnic Khmer) descent stormed the Tra Vinh police station in the delta and marched on the province chief's office there. Although dispersed in a few hours, the demonstration may presage a renewal of the monks' campaign against alleged discrimination by the Saigon government.

[redacted]

25X1

In Saigon, the legality and wisdom of the government's proposed court action against two Lower House deputies accused of having Communist connections have again come into question. Under attack is the legal keystone for the government's move--the Lower House petition that advocates lifting the parliamentary immunity of the two deputies. Its critics claim that the Lower House is not empowered to remove immunities by petition. Moreover, three lawmakers are now reneging on their signatures, thus suggesting that the petition now lacks the requisite Lower House backing.

The government nevertheless seems determined to push ahead with a military trial for the two accused deputies. Given the extent to which President Thieu has involved his personal prestige in the case, the chance that he can be deflected from the course he has chosen seems remote.

25X1

[redacted]

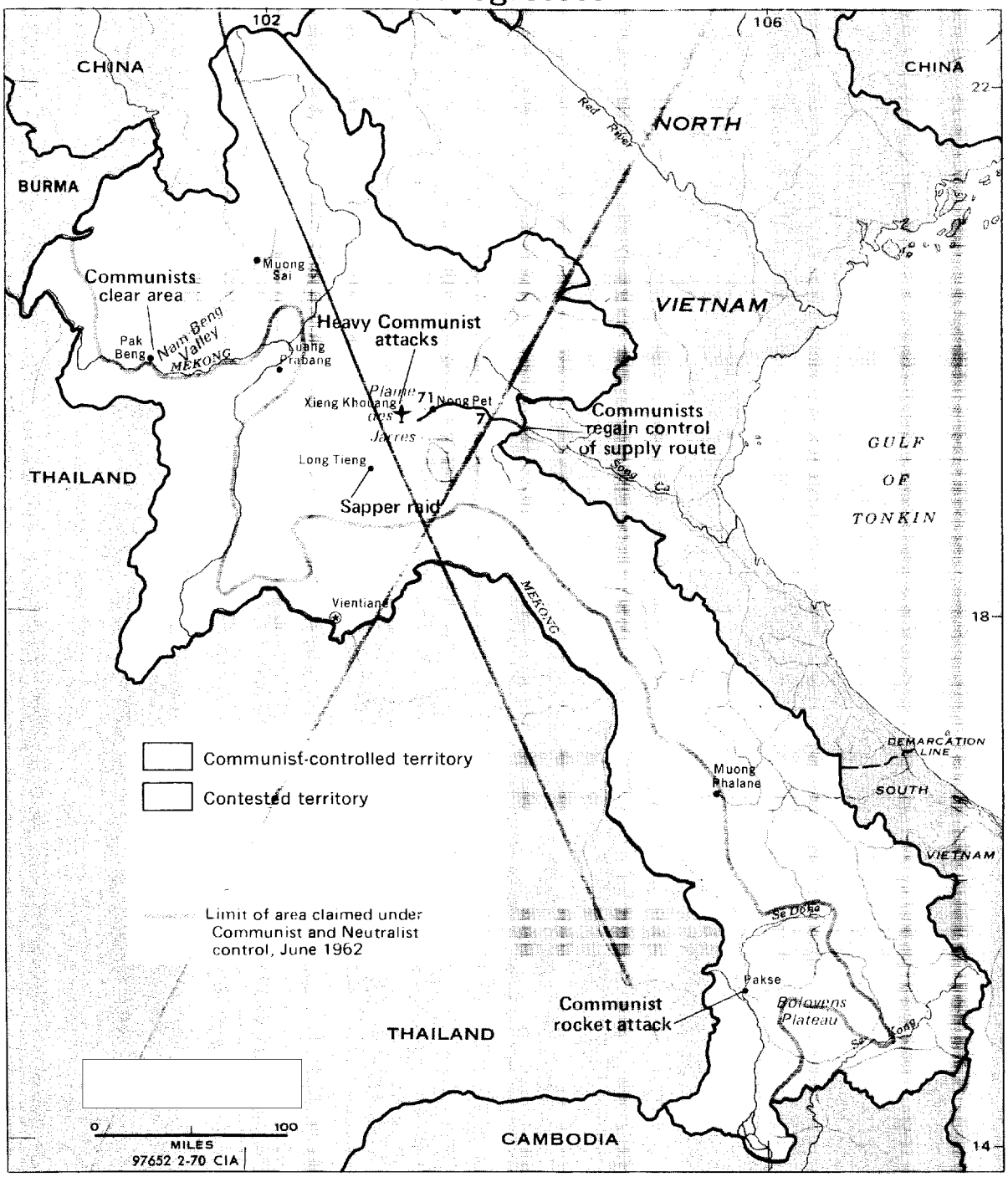
25X1

* * *

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Laos: Communist Offensive Progresses



25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

COMMUNISTS MAKE SWEEPING GAINS IN NORTH LAOS

North Vietnamese troops continue to retake key positions they abandoned last August around the Plaine des Jarres, and it appears to be only a matter of time before the entire Plaine is again under enemy control.

Meo General Van Pao had hoped to hold a few of his positions north and east of the Plaine to retard further enemy advances, but he ordered a withdrawal rather than risk exposing his weary and outnumbered troops to possible annihilation. The restoration of enemy control over the crucial junction of Routes 7 and 71 at Nong Pet had enabled North Vietnamese forces to reopen their vital infiltration and supply artery down Route 7. Communist elements have also occupied several important positions on high ground along the southern edge of the Plaine. Initial government moves to retake these points have been rebuffed and the loss of this entire sector appears in prospect.

On the Plaine itself, the Communists have continued to direct heavy artillery and infantry attacks against Vang Pao's forward headquarters at Xieng Khouang Airfield. The Meo leader has decided to make every effort to hold the airfield rather than fall back in the face of a major enemy attack. Although government defenders so far have taken only light losses, the enemy has suffered substantial casualties in his ground attacks against the airfield. Employing several light tanks, the enemy launched a heavy assault on 18 February, but was beaten back. The airfield's defense is being hampered by the steady arrival of government troops retreating from areas north and east of the Plaine. Most of these troops are no longer effective, and unless they are shifted to a less exposed position, the government may yet suffer sizable casualties.

On 17 February the enemy staged a small sapper raid against Vang Pao's main headquarters at Long Tieng. This was the first action ever undertaken against this base, which is the key to the government effort in the northeast. The attack, which destroyed one aircraft, probably was intended to confuse Vang Pao's forces and to induce him to pull troops off the Plaine to defend the Long Tieng area. There are no indications that the North Vietnamese intend to make a major thrust against Long Tieng. The rugged terrain and large numer of Meo villagers in the area make the enemy's task of moving in strength on this base very difficult.

25X1

Intensive tactical air strikes have probably taken a heavy toll on enemy units. Nonetheless, the Communists appear willing to accept heavy personnel and material losses in order to restore their control over the Plaine.

In an apparent effort to forestall a government move to reinforce the Plaine des Jarres with troops from the southern panhandle, the Communists launched their

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Mass Trials in Communist China

A wave of officially inspired public mass trials is sweeping Communist China. The main targets of the drive, according to regime propaganda, are those who have been engaging in graft, theft, corruption, and embezzlement. Some opportunists no doubt took advantage of the breakdown in controls during the Cultural Revolution to line their pockets, and Peking is now moving to punish them. Many of those brought to trial, however, are probably fairly low-level people who are guilty of being losers in the political struggles of the past year or two rather than of economic crimes.

25X1

25X1

In Peking, for example [redacted] 19 political offenders affiliated with radical Red Guard organizations were sentenced to death at a mass trial last month. In Kwangtung, teams of investigators are conducting a search for factionalists who committed murder and other serious crimes during the Cultural Revolution.

The anticorruption campaign, thus appears to be closely linked to the present political counterattack by party cadres who suffered abuse by the more radical Red Guard elements during the Cultural Revolution. Public pronouncements on party building are increasingly forthright in their attacks on erstwhile "rebels" who believe they automatically qualify for leading positions in newly emerging party committees. Honan radio on 10 February, for example, stated flatly that those rebels who continue to engage in factional activities do not meet the qualifications for party membership, and are not qualified to participate in rebuilding the party apparatus.

Some of the old cadre, however, are afraid of "offending the rebels," according to the Honan broadcast. Their reluctance to strike out against radical antagonists almost certainly stems from their experiences during the pendulum-like swings of the Cultural Revolution. Most cadre apparently are not convinced that those purged today will not be back to haunt them tomorrow. Nevertheless, many of the old-line cadre who were attacked during the Cultural Revolution will probably seize any opportunity to take some form of revenge against their former tormentors.

Radical elements will not accept this state of affairs passively, however, and further disorders may be in the offing as they continue to resist efforts by local officials to intimidate and punish them. The success of the punitive efforts of local authorities depends largely on their willingness to commit themselves. This, in turn, rests to a major extent on their reading of the leadership picture in Peking. Even experienced party members must find that view very clouded. [redacted] 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

EUROPE

25X1

The highlight of the 25-nation Geneva disarmament talks that resumed this week, was an address by UN Secretary General Thant to the conferees. The Soviets have indicated that they, like the US, will seek compromises on the draft seabeds treaty with Canada and Argentina, two of its more influential critics. Moscow continues its preference for a ban on both chemical and biological weapons, whereas the US favors agreement at this time only on biological weapons. Moscow is still opposed to on-site inspection, although it is willing to consider other approaches to verification.

The second round of the technical talks between the US and USSR on peaceful nuclear explosions (PNEs) ended this week. The Soviets told the US that they are now in agreement with the principle of considering a role for the International Atomic Energy Agency in the "international observation" of PNEs called for by Article 5 of the Nonproliferation Treaty. The superpowers are under some pressure in the PNE field; Sweden this week urged the Geneva disarmament conferees to draft an agreement for an international service that would handle nuclear explosions for peaceful purposes.

Tito is expected to attend the Lenin centennial on 22 April.

25X1 25X1

His appearance in Moscow is likely to put a brake on rising Yugoslav-Soviet tensions, but Tito as usual will be prepared to defend Yugoslav interests and to argue that Belgrade's policies are not incompatible with international Communism. Tito's presence also will fortify the determination of Romania's Ceausescu, who will also be on hand, to resist possible Soviet pressures to conform.

Hungarian Foreign Minister Peter evidently intends to try to engage the Belgians in a dialogue on a European security conference during his visit to Brussels next week.

25X1

Peter has also scheduled visits to the Netherlands, Norway, and Sweden before the end of June. He is in Bulgaria this week for talks with his counterpart, Bashev. Meanwhile, Bulgarian chief Zhivkov is on a good-will mission to Prague.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1 Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Page Denied

Next 1 Page(s) In Document Denied

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

IAEA Faces a New Role

The 26-nation Board of Governors of the International Atomic Energy Agency (IAEA) will convene in Vienna on 24 February to tackle a number of critical issues. Most of these questions relate to the increased importance of the IAEA as an enforcement agency once the Nonproliferation Treaty (NPT) enters into force next month.

Under Article 3 of the NPT, all nonnuclear-weapon states adhering to the treaty must begin negotiations with the IAEA on safeguards agreements--designed to prevent the diversion of fissionable material from peaceful uses--within six months of the NPT's entry into force. The agreements are to be completed within the following 18 months. States may negotiate the safeguards agreements with the IAEA either individually or collectively--a provision designed specifically to accommodate the European Atomic Energy Community (EURATOM).

The UK has proposed that the board create a safeguards committee to consider the position the IAEA should take during the forthcoming negotiations. Although pressure for some such mechanism appears irresistible, the six EURATOM nations are being very sticky about its terms of reference. They fear that the wording could encourage premature discussion of the delicate relationship that must ultimately be worked out between EURATOM and the IAEA.

EURATOM considers that assurances given during the negotiation of the NPT provide for continuation of its own safeguards system and that the IAEA's role will be restricted to verification of the effectiveness of EURATOM's system. This viewpoint is expected to be expressed in the mandate that the Council of Ministers of the European Communities (EC) will give to the EC Commission, which must negotiate with the IAEA on behalf of EURATOM. EURATOM members are concerned, however, that this position may be challenged immediately by the Japanese and others who allege that a privileged position in safeguards matters for a regional grouping like EURATOM could give it an advantage in the peaceful application of nuclear technology.

These anticipated problems over safeguards are closely tied to the current jockeying over the future composition of the IAEA Board of Governors. Many IAEA members believe that expansion of the board would increase confidence in the IAEA. The Western powers are among the 18 co-sponsors of an Italian proposal that would increase the membership to 33. Italy and West Germany--EURATOM countries--would be among the nine IAEA members "most advanced in the technology of atomic energy" that would receive permanent seats on the board.

Rome's initiative, however, has encountered strong resistance from the Soviet bloc, the Africans, and the Scandinavians. Earlier this week the Soviets presented an alternative scheme to expand the board only to some 29 or 31 members, with Italy and West Germany not receiving permanent seats. This plan accords with the views of Sir Phillip Baxter of Australia, chairman of the Board of Governors.

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

At the meeting next week, the governors may also consider an East German request for IAEA safeguards on a recent shipment of 200 kilograms of slightly enriched uranium received from the USSR. The IAEA staff appears to favor compliance with the request, the first by a nonmember, noting that an inspection arrangement would not necessarily provide recognition of East Germany as a state. Bonn, however, has certain reservations, and other EURATOM members, too, may fear that arrangements the IAEA works out for East Germany might constitute a precedent for applying inspections to West Germany.

The coming months will be an important test of the ability of the international community to work out effective enforcement procedures for a major arms control measure with wide applicability. If the attempt is successful, the procedures might constitute a precedent for resolving some of the verification problems involved in monitoring other disarmament measures, such as a comprehensive nuclear test ban.

25X1

Italy Seeks New Center-Left Government

President Saragat's choice on 12 February of Christian Democrat Mariano Rumor as prime minister - designate formally opened the long-expected negotiations lookint toward a new center-left government. This process is always laborious, and success is not a foregone conclusion. The Christian Democrats (CD), the Socialists, the right-wing Unitary Socialists, and the Republicans had been considering the timing of a new coalition ever since the previous center-left government fell last summer and was replaced by a minority government under Rumor.

Differences still exist among the Christian Democrats over the question of returning to the center-left now or keeping a minority CD government until after local elections this spring. The question is intertwined with conflicting leadership ambitions, with the CD left-wing's preference for an exclusive two-party coalition with the Socialists, and even with resistance to vacating cabinet posts. Socialist divisions over the terms of cooperation also make Rumor's task difficult. The very important question of whether to accept Communist cooperation in parliament may be the toughest problem of all.

Formation of a new government by early March would provide a relatively stable atmosphere in which to prepare for local and regional elections in the late spring. These elections are of particular interest because they are to mark the initiation of regions--a form of decentralized government--on a nationwide basis.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

SPANISH FOREIGN MINISTER SCORES ON PARIS VISIT

The warm reception accorded Spanish Foreign Minister Lopez Bravo by top French officials during his official visit to Paris last week will promote closer bilateral relations and will aid his efforts to have Spain play a larger role in international affairs.

25X1

Both French Foreign Minister Schumann and Lopez Bravo stressed the almost total community of views established on international questions during their talks. France will sponsor Spain's return to full participation in European affairs and expects to develop as close relations with Spain as those it now has with Italy.

25X1

25X1

The most notable immediate result of the visit was the signing of an agreement under which Spain will purchase 30 Mirage aircraft. A substantial amount of the aircraft construction

25X1

will be performed in Spain.

25X1

Lopez Bravo emphasized that, in developing closer ties with France, Spain did not want to detract from its cordial relations with its present allies, and that it intended to remain a good friend of the US. Spain may expect, however, that the improving relationship with France will reduce Madrid's dependence on the US and increase Spain's bargaining power in the coming negotiations with Washington on the future of joint bases in Spain.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

The Politics of Succession in Yugoslavia

Political jockeying in Yugoslavia has been generated by a sudden, general awareness that the time left for the 77-year-old Tito to act as a unifying influence is at best limited. Without fanfare or prior warning, power and interest groups that will shape Yugoslavia's political dynamics in the post-Tito era are beginning to take shape.

The key to stability during the succession period rests with the armed forces. Traditionally the military views itself as the guardian and protector of the federated Yugoslav state, and it can be expected to support those elements it considers best able to hold the Yugoslav system together. Throughout the postwar period, the military has been content to let the politicians run the government, but recently the armed forces have been displaying some political muscle. At issue is whether the government should make extensive new arms purchases.

A preview of the "liberal-conservative" struggle that will follow Tito was provided at a Croatian party plenum in late January. There a leading Croatian party member, Dr. Milos Zanko, was censured for attacking Croatian nationalism and was removed as a permanent delegate to the powerful party conference. In essence, Zanko was arguing against the regime's current policy of decentralization in favor of a tightly controlled and ideologically more orthodox Yugoslavia.

Tito himself is cognizant of the problems that will accompany the transition period. Shortly before departing on his current African tour, Tito attempted to remove at least one difficulty by indicating that his choice for successor is Edvard Kardelj--a leading intellectual and the father of the Yugoslav self-management system.

A growing uneasiness is apparent among the Yugoslav party leaders, who worry that current debates on party policies could foster unnecessary discontent and strain. Recent press articles have stressed the need for party unity and adherence to prescribed policies. Recently the influential Belgrade daily, Borba, has urged the party to rejuvenate itself by getting rid of deadwood and opposition elements. No purges have as yet resulted, but an informal review of party members' loyalties seems to be under way.

Yugoslav leaders, aware that the USSR will probably use the instability of the post-Tito period to its own advantage, will make an intensive effort to resolve as many succession problems as possible before Tito's departure. 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Hungary Pursues Western Trade

Hungary's exports to the West increased significantly last year, and Budapest continues to solicit Western technology and to seek various cooperative arrangements with Western firms. Budapest is unlikely to shift a major portion of its foreign trade to Western countries, however, even though it plans during 1971-75 to expand exports to the West more rapidly than to the Communist countries.

The Hungarians have been working to eliminate a chronic deficit in trade with the West by restricting imports and encouraging exports. Sales in Western countries rose three times faster than the planned 10 percent last year, resulting in an export surplus of $44 million with the West as compared with a deficit of $64 million in 1968. Imports from the industrial West in 1969 rose only nine percent above 1968 levels. This is partially the result of Hungary's economic reform program, which calls for increased efficiency in foreign trade.

Following the reorganization of foreign trade under the reform, firms with the right to engage directly in foreign trade apparently stepped up exports to hard-currency countries. Exports of live animals and beef, primarily to Western Europe, in the first half of 1969, apparently played an important part in the rapid growth of total exports. Meat shortages at home will make it difficult to expand significantly further sales of these products over the next few years. To maintain growth in exports to the industrial West, Hungary must rely primarily upon good grain harvests and upon an increase in intermediate manufactures, such as textiles and aluminum.

Hungary also is seeking the import of advanced technology from the West to upgrade its economy. Although still obliged to rely on Western credits to finance imports of capital goods, the Hungarians have been rather conservative in recent years in making use of such credit. On the other hand, Hungary has been increasingly active in arranging industrial cooperation schemes with the West and in making use of Western licenses. A US firm has initialed a $6.8-million contract with a Hungarian firm for the sale of technology, technical assistance, and equipment for a light bulb factory. Another US firm currently is negotiating the sale of technical know-how for an ammonia plant that would comprise part of a large Western-equipped fertilizer plant. Hungary also is seeking entry into the General Agreement on Tariffs and Trade to further its trade prospects with the West.

These efforts to increase trade with the West, however, are unlikely to loosen Hungary's trade dependence on the USSR. At present 35 percent of its total trade is with the USSR. Most of Hungary's raw material requirements such as iron ore, fuel oil, cotton, and wood pulp come from the USSR. Also, the Soviet Union remains the largest market for Hungarian commodities such as machinery, transport equipment, and fabrics.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

MIDDLE EAST - AFRICA

Israel resumed its bombing close to Cairo this week after a short pause possibly occasioned by its strike in error at a civilian factory. The Egyptians are responding with an increasingly steady series of air strikes at Israeli positions along the Suez Canal. The Soviet press is taking a much more obdurate line toward events in the area, apparently in the hope of deterring the Israelis and of increasing pressure on the US not to respond to Tel Aviv's standing request for more aircraft.

In Jordan, tension has slacked off sharply—at least for the moment. King Husayn seems to have backed down on his "law and order" decree, although there are some signs that he may yet insist on token compliance. Talks between the government and a newly formed fedayeen "coalition" are presently in recess because of religious holidays, but both sides continue to watch each other warily. Ammans' concern over the fedayeen was implicit in its recent bid for a special UN session to reconsider an imminent cutback in UNRWA's program in the Palestine refugee camps. A drop in this assistance would add to the refugees' bitterness and would facilitate fedayeen recruitment activities.

[redacted] 25X1

In India the budget session of parliament scheduled for 20 February presents Mrs. Gandhi with another test of her minority government's stability. She enters the session somewhat encouraged, however, by having regained the political initiative following two recent contests—one with the opposition Congress Party and the other with the Supreme Court over bank nationalization.

Four of Dahomey's former presidents have filed to run in the presidential elections now scheduled for next month. The army officers currently running the government remain badly divided, however, and there is a possibility that one faction or another will forestall the election with a coup. [redacted] 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

USSR Takes Tough Line in Middle East

The Soviet press is taking a more obdurate line as Moscow awaits Washington's decision on whether to give additional aircraft to the Israelis, who this week resumed bombing close to Cairo.

A TASS statement on 16 February, probably triggered by the recent Israeli bombing of an Egyptian civilian factory, was one of the toughest Soviet statements in recent months. It specifically pledged the Soviet Union to help the Arabs defend themselves and also denounced Israeli military activities in unusually strong terms. The commentary differed somewhat from earlier Soviet pronouncements by giving only the barest nod to the need for a political settlement in the Middle East.

A Pravda article on 12 February warned that Israel's deep-penetration raids into Egypt and a US decision to sell more Phantoms and Skyhawks to Tel Aviv would occasion increased Russian support for the Arabs. Moreover, the periodical, New Times, warned on the same day of the dangers of appeasing aggressors and pledged that the USSR considers "many-sided" assistance to the Arabs its "international debt." Other publications in recent days have hinted that, at this stage, Moscow would not support either restoration of the cease-fire or a limitation on arms.

The tough line taken by the Soviet press appears designed to increase pressure on Israel to stop its raids and to deter the US from approving Tel Aviv's standing request for more aircraft. At the same time, however, the Soviets are in effect painting themselves into a corner with their unyielding attitude on the question of new arms deliveries to the Arabs. If Moscow's current diplomatic and propaganda campaign fails, it is likely to find its room for maneuver considerably reduced in an increasingly serious situation.

Meanwhile, the Israelis resumed bombing close to Cairo, ending the short pause that followed their mistargeted attack last week on a civilian factory, the death toll for which has now reached 80. On 17 February, Israeli aircraft struck at two alleged SA-2 sites some 20 miles below Cairo, one at Dahshur and the other near Helwan. In Jerusalem, Prime Minister Golda Meir, perhaps reflecting Israeli embarrassment over last week's bombing mistake, reiterated Israel's willingness to observe a cease-fire as soon as Nasir does likewise.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Tension Subsides in Jordan--For the Moment

Tension in Amman has slacked off sharply, at least on the surface, following the Arab fedayeen's militant challenge to King Husayn's "law and order" decree of 10 February. The apparent calm may be only a pause, however, if the King--as he has hinted--still intends to try bringing the guerrillas under some measure of control.

At the end of last week, as armed fedayeen clashed with police and threw up roadblocks in the streets, the King agreed to a "freeze" on his decree. He also began talks with the leaders of a newly formed fedayeen "coalition." These talks are presently in recess because of religious holidays, but are scheduled to resume around 21 February.

Over the weekend, the King held a press conference in which he was clearly trying to cool the situation. He was conciliatory to the fedayeen, sought to identify his objectives with theirs, and attributed their strong reaction to a "misunderstanding" of his intent. He was not, he said, trying to disrupt or eliminate the movement, as they charged; he was only carrying out his duty to maintain order in the urban centers. He cited the deaths of some 100 Jordanian civilians that he alleged had resulted from accidents involving armed fedayeen.

At the same time, King Husayn made several points in his press statements suggesting that he has not entirely given in and that the confrontation may not be over. He was particularly insistent that law and order must be preserved. He also noted that, although the fedayeen had his and the country's support, they would keep it only as long as they played their "proper" role. In addition, Husayn insisted that any agreement between the government and the fedayeen "must protect everyone."

During the current lull, both sides have retained their forces in place and seem to be watching each other warily--despite some instances of cooperation. Most street barricades have been removed, but armed fedayeen are very much in evidence in Amman. Government forces, although less conspicuous, remain on the outskirts of the city and, according to rumor, have been reinforced.

Meanwhile, the various fedayeen groups--there are at least ten--remain united as never before, and do not consider the showdown over. Fatah, the largest of the commando groups, has urged that the loose coalition formed to challenge the King's orders be made a permanant body. Fatah spokesmen claim that only the present unity has made it possible "to contain the conflagration," and suggest that continued unity could do so again. Fatah's Voice of Cairo on 16 February broadcast a warning against believing that everything had ended. It said that the forces opposed to the fedayeen were still strong and active, and that they still hoped to succeed one day in "liquidating the revolution."

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

INDIAN PARLIAMENT OPENS FOR CRUCIAL SESSION

Even under the best of conditions, the formulation of a union budget has often tested Indian governments. In the budget session of parliament that opens on 20 February, Mrs. Gandhi not only has to harmonize conflicting regional interests, but also intends to seek a parliamentary mandate for her controversial "progressive" program. Moreover, she must contend with discord in her own Congress Party faction, and must balance the often conflicting desires of the other parties on which she depends but with which she is not formally allied. Finally, she must outmaneuver the Organization Congress Party, which leads the strongest opposition ever to confront an Indian prime minister.

Mrs. Gandhi's government survived a no-confidence vote during the winter session of parliament, but she won no major victories. During the nearly two-month recess, both factions of the Congress Party have concentrated on strengthening their organizations. Neither side appears to have gained appreciably, but several events may have given Mrs. Gandhi a psychological edge. After several false starts, her supporters managed to put together a fragile governing coalition in Bihar State, and also to topple the Organization Congress government in her home state of Uttar Pradesh. These moves are not regarded as particularly disastrous for her rivals, however, and opportunities to recoup are likely because of the increased instability in state governments.

Most opposition leaders have concentrated on keeping their options open. Those parties that backed Mrs. Gandhi during the earlier no-confidence vote have underlined the conditional nature of their support. Moreover, the rival Organization Congress has been able to form new state-level working relationships with a mixed bag of conservatives and nationalists, and even with a leftist party. If established at the national level, such relationships could spell trouble for Mrs. Gandhi's program.

The Supreme Court recently voided last year's bank nationalization measure, making it necessary for Mrs. Gandhi to introduce new legislation to meet the court's objections. Bank nationalization was a popular issue, however, and little opposition is expected. Her government will encounter more trouble with its other "progressive" legislation--bills to abolish subsidies paid to former princely rulers, to set new guidelines for land reform, and to put a ceiling on urban property holdings. Mrs. Gandhi's party is by no means made up entirely of "progressives," and her program could alienate some powerful conservative supporters.

The prime minister's popularity with the masses is at an all-time high, and she has several parliamentary maneuvers available to help her. Nevertheless, she is the leader of a minority government, and the current budget session will test her ability as never before.

25X6

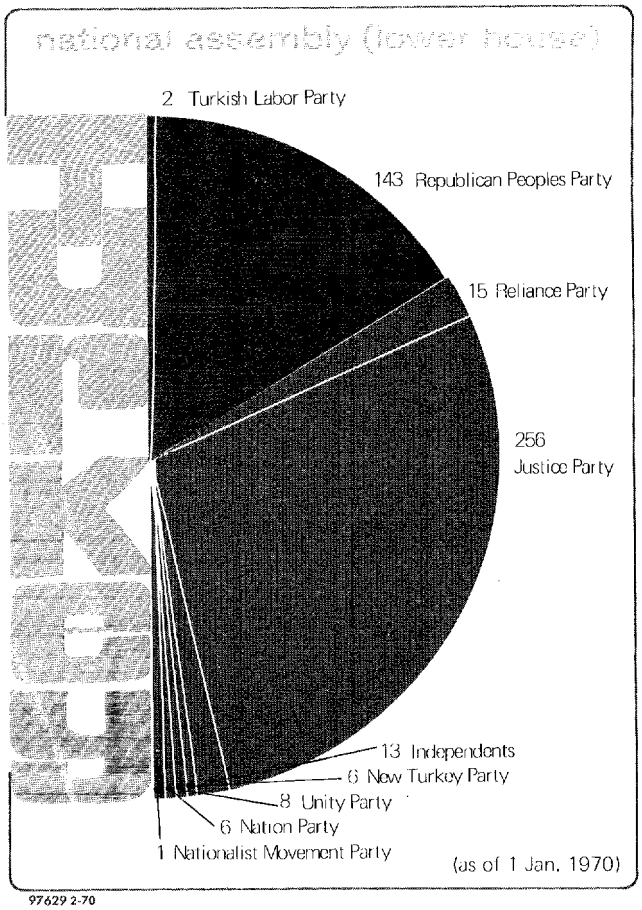
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Intraparty Rift Causes Political Crisis in Turkey

Turkey's current political crisis, precipitated by dissident members of the ruling Justice Party, culminates a lengthy struggle between the party's conservative and liberal wings. The immediate crisis broke on 11 February when 41 conservatives from the Justice Party took the unprecedented step of voting with the opposition to defeat the budget.

The budget itself was not at issue, but was merely the vehicle seized upon by the dissidents to pull the rug out from under Prime Minister Demirel and the party liberals. Although budget approval was not a confidence issue, several opposition leaders viewed it as such and called for Demirel's resignation. Three days later, after high-level party conferences and a meeting of the cabinet, he obliged. President Sunay immediately asked Demirel to form a new government, which he is now endeavoring to do; some announcement is expected early next week.



Meanwhile, the Justice Party is preparing to expel the 41 defectors. They have expressed no intention of leaving, however, and have even challenged Demirel's personal leadership by announcing that they would support any other prime minister from the party. Inasmuch as the entire conservative wing may include as many as 100 deputies, its loss would make a coalition necessary and elections almost certain.

The chain of events leading up to the current crisis started when the party's leading conservative, former minister of communications Bilgic, and his followers were dropped from the cabinet after the election in October. The Bilgic group retaliated by walking out of several important party meetings and by withholding support on some procedural questions in parliament.

In late January, eight members of the Bilgic faction were expelled for antiparty activities during the election. Bilgic and five other prominent conservatives immediately resigned from the party's top administrative body, charging they had proof of corruption among the liberals. At the time, the dissidents

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

gave no sign of bolting the party, but the lines had been sharply drawn, and this led directly to the present crisis.

Demirel now appears to have two courses open. He can either try to gain the support of enough non - Justice Party deputies to form a new government, alone or in coalition, or move toward early elections. He appears to be within five votes of having a bare majority in his own right. Regardless of the outcome, however, he almost certainly faces further testing at the party's biennial convention late in 1970.

Pakistan Moves to Avert Foodgrain Shortages in East

25X1

To avoid a recurrence of last year's near crisis in food supplies in East Pakistan, Rawalpindi now is arranging for food imports for the last half of 1970. Pakistan has indicated to the US, its major source of grain imports, that 600,000 tons under the Food for Peace aid program (PL-480)--about half the amount of the last agreement--would be required.

West Pakistan in recent years has rapidly increased foodgrain production, largely by improving irrigation and using the so-called miracle seeds. In 1969 for the first time in more than a decade it produced more cereals than it consumed. On the other hand, East Pakistan's production has stagnated, and with population increasing at about 3 percent annually, its foodgrain deficit has grown steadily. These deficits had been filled largely with PL-480 imports, but in the wake of West Pakistan's increased foodgrain production Rawalpindi thought it could meet the East's shortages in 1969.

Only about a third of the 1.7 million-ton deficit, however, was filled from domestic sources. Government grain procurement was less than anticipated because of increased consumption in the West and a drop in government procurement prices. Food prices rose some 25 percent in the food-short East last year, creating popular unrest. Easterners helped bring down the Ayub Khan government last year because they felt discriminated against, and they blamed the new military administration for the rise in food prices.

The Pakistani Government finally sought PL-480 grain in mid-1969 to fill the East's deficit. An agreement was delayed until early this year, however, by Rawalpindi's fruitless attempt to obtain the right to export wheat for hard currency while receiving US aid grants. About 800,000 tons of US grain will be shipped to East Pakistan by May, and another 200,000 tons later. This will supplement 300,000 tons of grain provided by other foreign governments under aid programs.

The government should be able to obtain larger quantities of domestic grain for the East from this year's crop. West Pakistan's grain production is expected to continue its rapid growth and the procurement price has been raised to encourage larger sales to the government by farmers.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

WESTERN HEMISPHERE

The re-integration of Cuba into the inter-American system continued to be a major topic of discussion in Latin America this week.

Last Sunday, Brazil's foreign minister issued an official communiqué stating that his country is adamantly opposed to any efforts to relax trade restrictions against Havana or to bring it back into the Organization of American States. Cuba's continued support for Brazilian terrorists, its granting of refuge to the terrorists released in exchange for the kidnaped US ambassador, and its antigovernment propaganda broadcasts are some of the reasons Brazil cannot change its attitude toward the Castro government.

In Trinidad-Tobago, Prime Minister Williams' political party on 15 February publicly endorsed his statement at the recent meeting of the Inter-American Economic and Social Council that Cuba should be readmitted to the inter-American system. An agricultural mission from Trinidad-Tobago is supposed to go to Havana at the end of the month. Prime Minister Williams, who is particularly interested in learning about Cuba's sugar and cattle industries, has indicated that further contacts with Castro will be made in the near future.

In a conversation with the US ambassador Wednesday, Mexican Foreign Minister Carillo Flores said that he believes the resolution of 1964, which suspended Cuba from the OAS, has been overtaken somewhat by events. He does not believe that Cuba is interested in returning to the Hemisphere system at this time anyway. He added that it would be unrealistic to consider the question now because many Latin American nations are opposed.He added that Mexico could not play a leading role in bringing Cuba back into the system because his government had never implemented the resolution to keep her out. (Mexico is the only country in Latin America that still maintains diplomatic relations with Havana.) If a vote were taken, however, Carillo Flores said Mexico would vote in favor of Cuba's return.

After four years of fruitless discussion, the Venezuela-Guyana Mixed Border Commission expired this week. Both countries apparently have agreed to delay the preparation of a final report so that direct negotiations can be held. It seems unlikely, however, that such negotiations will lead to an early solution. Guyanese forces apparently fired a few shots near Venezuelan forces on Ankoko Island this week, underscoring the continuing danger posed by the proximity of the armed forces during a time of tension.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

BOLIVIAN GOVERNMENT CONTINUES LEFTIST COURSE

President Ovando has moderated his public statements in recent weeks and has muzzled the most outspoken members of his government. He does not, however, appear disposed to reverse the leftist trend of his government. The Ovando administration is moving speedily to improve its relations with the Soviet Union, and at the same time the President himself seems to be resisting pressures from the armed forces to remove some of the leftists from his cabinet.

The Foreign Ministry announced that it had granted agreement to the new Soviet ambassador to Bolivia in "record time." The announcement was also made that Julio Garret, Bolivia's left-leaning ambassador to Moscow, was to open talks on 16 February on the Soviets' offer of scientific and technical aid to Bolivia's extractive industries. For their part, the Soviets have reacted to the new Bolivian Government with caution and at this time do not appear prepared to offer any more than "scientific and technical assistance." Bolivia already has trade agreements with several East European countries and soon will discuss trade possibilities and the opening of diplomatic relations with Poland.

Administrative reforms that will involve the reorganization of some government ministries are expected to be approved before the end of the month, and there are rumors that the reforms will be accompanied by a reshuffling of the cabinet. President Ovando has been under pressure from the military to dismiss leftist civilians from his government.

[redacted] 25X1

Rumors of a military move against Ovando have died down in recent weeks, but the President could be courting serious trouble if he is, indeed, intent on following this course.

[redacted] 25X1

The Ovando government is currently seeking to sell oil to Brazil, and the Brazilian Government may see this as an opportunity to obtain a lever with which it might be able to influence the Bolivian Government. Brazil must have outside sources of petroleum, and the sale of a large quantity of oil would help alleviate Bolivia's serious economic problems and improve Ovando's political image. An agreement for Brazil to purchase Bolivian oil would thus seem advantageous to both countries. [redacted] 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

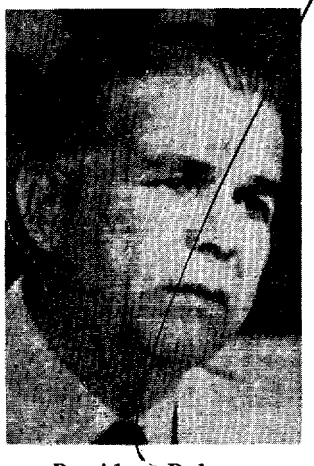
DOMINICAN PRESIDENT SET FOR RE-ELECTION ANNOUNCEMENT

President Balaguer is heavily committed to seeking re-election in May despite some high-level defections in his party and the prospect of increased urban violence. He will probably announce his bid in the near future.

The President's recent actions have left those opposed to his re-election with little hope that he will step down at the end of his term. He has maneuvered for congressional support, has ousted foes from the ranks of the governing Reformist Party (PR), and has undoubtedly encouraged the blatant campaigning being conducted by military and civilian supporters for his re-election.

On 13 February Vice President Lora, a frustrated presidential aspirant, tacitly acknowledged the success of Balaguer's front-running--albeit unofficial--campaign. Lora announced his resignation from the PR in order to lead a newly recognized political party, claiming that "the masses" will follow his example. Despite some recent high-level resignations in the party--including the mayors of the capital and the nation's second largest city--large-scale defections from the PR seem unlikely. Balaguer still is an odds-on favorite, and few Reformistas will be willing to risk their share of the political pie.

Balaguer can legally enter the campaign as late as 1 April, but he will probably announce sooner. He has convoked a party national assembly for 25 February, and it reportedly will issue a unanimous call for his re-election. Last year the President used his Independence Day speech on 27 February to hint at his availability for re-election, and the national holiday offers a convenient date for the launching of his drive for renomination. The official campaign period, as set by the Electoral Board, has already begun.



President Balaguer

Vice President Augusto Lora

Balaguer's announcement, whenever it comes, will signal a significant upswing in electoral activity and could possibly set off urban violence. His foes are already bickering among themselves, however, and their ability to mount an effective electoral challenge is questionable. The several Communist parties, although they have not yet formulated a firm strategy for the campaign, can be expected to continue to promote urban terrorism. Their activities, however, stand little chance of sidetracking a Balaguer bandwagon. 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

BAHAMAS TIGHTENS CONTROL OF FOREIGN BUSINESSES

New government efforts to control the foreign business community are again unsettling investment and political circles in the Bahamas.

Last week the Pindling administration introduced legislation to abrogate portions of the Hawksbill Agreement, which grants some local autonomy to Freeport investors. In the government's view, the agreement has allowed the Freeport business sector to circumvent official immigration controls. Pindling has repeatedly contended that businessmen have abused their privileges by not hiring natives. He is obviously staking out the theme of "Bahama for the Bahamians" as a prime political issue. There is growing concern among Bahamians over the number of foreign nationals in the country. There are about 72,000 foreigners in an estimated population of 170,000.

The important Freeport Community, a group of largely US- and British-owned business enterprises, [redacted] may challenge the legislation on legal grounds. It is unlikely, however, to have much success in Bahamian courts. If the government persists in its policies, foreign investors will be discouraged. 25X1

There is probably widespread public sympathy for Pindling's position. The US consul general in Nassau, however, reports that "substantial opposition" within the government is coalescing around the ambitious Minister of Education Wallace-Whitfield. [redacted] 25X1

Although Pindling has not exercised strong leadership and a challenge to his authority could develop, his rivals would find it difficult to obtain support if they confronted him on such an emotion-laden issue. [redacted]

* * * 25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

CARIBBEAN BLACK POWER CONFERENCE SCHEDULED

The second Black Power Conference is scheduled for 9-12 July in Barbados. Spontaneous disorders could occur that would severely tax Barbados' small security force.

Bermuda's Roosevelt Brown, a radical opposition politician who organized the conference held in Hamilton last year, received permission from Barbados Prime Minister Barrow to hold the meeting. Although Barrow is probably concerned about the effect the conference could have on the local tourist industry, he apparently concluded that he could not afford to try to block the meeting and leave himself vulnerable to domestic charges of a sellout to the white establishment.

Last year's meeting was a generally peaceful affair that attracted some 1,300 delegates, largely from Bermuda. The British, who are responsible for the colony's external affairs, utilized a "stop list" to keep out known troublemakers, including some from the US. The UK also provided a backup Marine force to guard against possible disorders. Barbados, however, with only a 680-man police contingent supported by a largely ceremonial 300-man reserve regiment, would be hard pressed to cope with any island-wide disturbances.

Despite the publicity accorded the gathering last year, few tangible results emerged, and black power in the Caribbean has remained generally an ill-defined, nascent concept. Indeed, over the past year its organizational strength has waned. In Jamaica, for instance, black-power groups have splintered, the movement's newspaper has ceased publication, and the theme of black nationalism has thus far failed to elicit a significant popular response. Most of these difficulties, in Jamaica and elsewhere, however, can be traced to leadership and financial problems.

Black power, in spite of its current problems and limited political significance, remains a potential rallying point for dissident black groups in the Caribbean. Nationalism that is unmistakably on the rise in the area could encourage the growth of radical factions. Several of the Caribbean governments have been highly sensitive to the formation of domestic black-power groups and monitor their activities closely. Given this apprehension and the black nationalists' continued facility for headline grabbing, the July conference is likely to attract international attention. It is unlikely to have significant short-term impact on black-power fortunes in the Caribbean, however.

25X1

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1 Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Page Denied

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8
Secret

Secret

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Secret

25X1

DIRECTORATE OF
INTELLIGENCE

not seen

WEEKLY SUMMARY

Special Report

Guatemalan Elections - A Defiance of History

Secret

№ 18

20 February 1970
No. 0358/70B

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1 Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Page Denied

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

GUATEMALAN ELECTIONS – A DEFIANCE OF HISTORY

Constitutional order has been the exception rather than the rule in Guatemala, but President Julio Cesar Mendez Montenegro hopes to reverse this situation. If the elections scheduled for 1 March take place and a legally elected government is installed in July, Mendez will be the third elected president since 1821 to serve his full term. Despite Guatemala's troubled history and its present political problems, all legitimate political forces as well as key military officers are apparently determined to make the democratic process work. A normal transfer of power could mark the beginning of political maturity. Guatemala's lack of social and economic institutions is so profound, however, and the exclusion of a large majority of the population from national life is so absolute that Guatemalan political development will remain in a primitive stage for some time to come.

BACKGROUND

A revolution in 1944 raised the possibility that dynamic government could undo the feudal socioeconomic system, break down the cultural and linguistic barriers entrapping nearly half the population, and generally modernize Guatemala. Ten years of revolutionary government under Juan Jose Arevalo and his successor, Jacobo Arbenz, overturned the traditional power bases and began to remold Guatemalan society. The revolution fell increasingly under Communist influence, however, and in 1954 Arbenz was overthrown by Carlos Castillo Armas. His restoration of the old elite to its traditional place has left a bitter heritage and an acceptance of extremism in politics. Reformers have been indiscriminately considered Communist by the conservatives, whose inflexibility in turn makes the liberals more willing to collaborate with the extreme left.

The arbiter of power in Guatemala, the military, leans heavily toward conservativism and anti-Communism. A military coup in March 1963

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

was triggered by the return from exile of former president Arevalo, a leftist, to run in the scheduled elections. The military government subsequently turned over some power to the elected Revolutionary Party candidate, Mendez Montenegro, in July 1966.

Mendez promised the armed forces that he would not interfere in their institutional affairs—a promise he kept until 1968. During the first two years of his administration, he showed keen awareness of the political tightrope he had to walk. In spite of his revolutionary rhetoric, Mendez endorsed no bold reform, withdrew even modest proposals in the face of opposition from any important sector, and permitted the military to lead a vigilante-style offensive against Communist insurgents and their presumed sympathizers. Through the good offices of Colonel Guillermo Mendez Montenegro, a respected military surgeon and the President's brother, a cooperative relationship between the presidency and the armed forces developed.

Mendez believes that his major contribution to Guatemala's political progress will be the modest but rarely achieved goal of survival in office. His government has provided some minimal progress in noncontroversial fields such as school construction, road-building, and the like. Since 1968 Mendez has several times risked provoking the military by beginning to exercise his constitutional prerogatives, relieving powerful officers of their commands and making other administrative decisions affecting the armed forces. Most notably, he successfully halted the extralegal repression of Communists and sent three key military leaders who were deeply involved to diplomatic posts abroad. If he does no more than accustom the military to submit to civilian authority, he will have accomplished a highly important task.

The Indian Carries a Heavy Load

THE ELECTORATE

Only a small minority of the population participates actively in political life, and only about one fourth of Guatemala's five million people are politically aware. Guatemala is one of the most backward of the Latin American countries by all social indices such as literacy, health, income, or public welfare. About 44 percent of the population is outside the Westernized society, living in the centuries-old style of the Mayas. This

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

group retains its Indian language, wears traditional Indian dress, and is considered inferior by the Westernized majority. Political parties ignore them during campaigns, merely trucking submissive groups to the polls on election day.

More than half the Westernized group, though culturally distinct from the Indians, lives in similar poverty, illiteracy, and rural isolation. It is only peripherally cognizant of the national government and has no idea of influencing it. The political parties solicit support from this group, but only at election time.

Mario Fuentes Pieruccini
government candidate

Even among the minority that is actively aware of the government and seeking to influence it, there is little political development or activity through organized pressure groups. The interest of this minority is primarily personal and self-protective, and there is no tradition of national interest or of government dedicated to bringing the prosperity of Guatemala City to the mass of poverty-stricken citizens.

ELECTION 1970: PARTIES AND CANDIDATES

For the most part, political organizations in Guatemala have been personalistic groups with no political philosophy or with only ill-defined programs and attitudes. There is no tradition of addressing issues, formulating policy, or continuing contact with a constituency.

THE GOVERNMENT PARTY

Of the four parties now legally registered, the oldest and least personalistic is the ruling Revolutionary Party (PR), which dates from 1957. Its heritage is the revolution of 1944 to 1954, and a large part of its active membership entered politics and government during that period. Self proclaimed as reformist and left of center, it has operated during the past four years as a centrist, moderate organization. The PR's leftist tradition and the leftist background of many of its prominent members, however, still make it suspect to some of the military and other forces working to retain the status quo. Over the years the PR, especially since it became the government party, has expanded its organization throughout the country, even down to the hamlet level. It has the best coordinated propaganda machine and the greatest resources of all the parties. The PR is conducting the most modern electoral campaign in Guatemalan history this year, making heavy use of television, radio, the press, and other propaganda media.

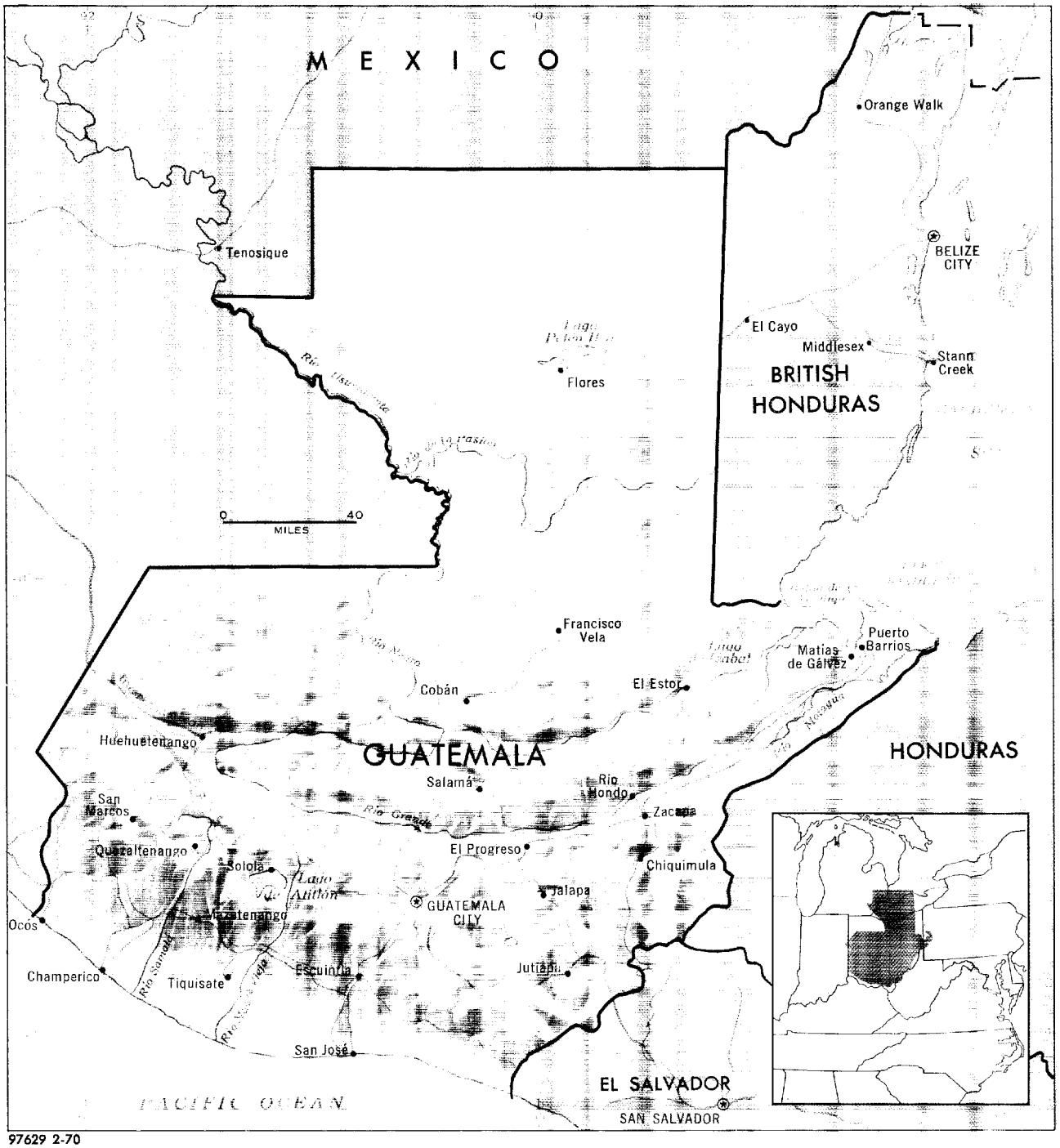
The PR's presidential candidate, 49-year-old Mario Fuentes Pieruccini, has evolved from a little-known party warhorse to a national figure. Fuentes was a co-founder of the party, participated in the 1944 revolution, and has served as president of the Congress. He is a successful lawyer and is highly respected within his party. He belongs to the PR's moderate reformist element. His most recent government position was that of minister of finance, which he resigned to accept the presidential nomination.

Fuentes' running mate, Oscar Castaneda Fernandez, strengthens the slate by virtue of his

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1



97629 2-70

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

apolitical reputation and his respectability, which broadens Fuentes' appeal beyond partisan bounds. Although the party has engaged to some extent in smear tactics, Fuentes has not. He has promised to renounce the presidency if he fails to win a popular plurality and the election is thrown into Congress. Fuentes is committed to an honest election and is eager to avoid even the appearance of fraud. To this end, he successfully urged the government to request election observers from the Organization of American States.

The PR campaign has emphasized stability, continuity, and peaceful revolution. The party has promised to help the agrarian sector through loans, credit, technical assistance, electrification, and by building roads. The private sector has been promised institutional stability and government cooperation. For the general public, education is to be improved and free textbooks granted. Believing that a large voter turnout is to its advantage, the PR's principal slogan is, "The vote is the way."

The confidence of the party leadership that it will win both the presidency and a majority in the Congress has been bolstered by polls. The Guatemala City electorate, which accounted for one third of the PR vote in the 1966 election, is being given special attention. The capital, with one fifth of the voters, is also the psychological and physical seat of power. The PR faces its strongest opposition from both the right and the left in the capital city, whereas in most of the rest of the country the PR is competing primarily with only one opposing force. Party leaders are concerned that unless the PR makes a good showing in the city, the legitimacy of its expected victory in the rural areas will be seriously questioned.

THE RIGHT

The political right includes the National Liberation Movement (MLN), whose tradition is that of the antirevolutionary "liberation" of Castillo Armas in 1954, and the Democratic Institutional Party (PID), a contrived organization set up by the military regime that ruled from 1963 to 1966 as the government party for the 1966 elections. The rightist forces for the most part serve what might be called the oligarchic interests. The PID has almost no constituency of its own, but is made up of wealthy landowners and coffee growers. The MLN includes a respectable conservative element, fanatical extremists [redacted] 25X1 [redacted] most of the military "commissioners" who serve the military's interests and act as an informal intelligence net, and nonpartisans who are fearful of the banditry and insurgency that plague the country and believe that strong action against criminals and subversives is needed.

The right's standard bearer, Carlos Arana Osorio, is the champion of the anti-Communists. He is a caudillo whose fame stems from his leadership of the antiguerrilla campaign in the northeast in 1967-68. Arana's background makes him a

Carlos Arana Osorio
rightist candidate

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

25X1

prime target for Communist terrorists.

Arana's need for bodyguards and close security has restricted his personal appearances, and he has used small, informal meetings rather than rallies in his campaign. He is an outspoken law-and-order advocate, and war on criminality, in essence, is the only string for his bow. The MLN professionals, in trying to broaden his campaign, have fashioned a platform dedicated to better public administration, financial stability, an increase in national productivity at all levels, social development, and defense of Guatemala's claim to British Honduras.

Arana is generally credited with personal integrity and good will. Although he has tried to broaden his appeal beyond the caudillo image, he projects essentially and unabashedly as the strong man most able to end lawlessness in the country. His running mate, Eduardo Caceres Lenhoff, is an independent rightist whose honesty and experience in government add respectability to the ticket. The MLN-PID coalition nevertheless suffers from the lack of a responsible image. The widespread violence that attended the anti-Communist campaign in 1967 and 1968 appalled many Guatemalans, and some of the cutthroat toughs on whom Arana relied during that period remain part of his entourage. Much of the MLN leadership is extremist and noted for its habitual conspiring and political trouble making. The coalition may have gained some sympathy, however, by virtue of its continual victimization by the Communist terrorists, whose prize targets are rightist leaders and their supporters.

THE LEGAL LEFT

The Christian Democrats (DCG), the only registered leftist party, has made its credentials available to a melange of groups that ostensibly represent the democratic left but in fact have

Jorge Lucas Caballeros
leftist candidate

close ties with the extreme left. By sponsoring this so-called "national front," the already divided DCG has exacerbated differences within its own ranks, and these differences have been exploited by the young radical wing of the party and by the Communist-tinged left. Four of the DCG legislative candidates may be members of the Communist Party, and eleven others have had such connections in the past.

The DCG's presidential aspirant, Jorge Lucas Caballeros, is touted as the "clean hands" candidate, a ploy that has provoked a mudslinging contest with the government party. The PR, countering DCG charges of corruption, has revived stories of Caballeros' implication in a coffee scandal during his service as minister of economy in the recent military government, and is emphasizing his military past by referring to him as "Major Caballeros." Caballeros recognizes the improbability of his winning the presidency, but he anticipates playing a key role if neither of the other two contenders wins a majority. His running mate, Edmundo Lopez Duran, was expelled by the PR in 1967 for publicly criticizing the administration's counterguerrilla campaign, and he is little known outside his home state.

The DCG suffers from a serious shortage of campaign funds, and its near bankruptcy is

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

reflected in its feeble campaign effort. Nevertheless, it is strongly supported in Guatemala City by leftist intellectuals and retains some base of support in communities near the capital and in the Indian highlands. The DCG is tied less to the old power structures than the other parties and therefore may have some appeal among the nonpartisan middle class and the various alienated segments of society. The leftist front has stressed the need for effective social revolution to eradicate the conditions that spawned the guerrilla movement. The nation requires change, according to the party, especially through administrative, educational, agrarian, and fiscal reform. The DCG attacks the "false revolutionary" stance of the government party and uses the line, "Get what you can from the PR, but vote your conscience at the polls." Realistically, the party hopes to elect to Congress five or more deputies (it has none now) whose "intellectual superiority" would permit them to use the legislative forum to enhance the party's prestige. The PR leaders are concerned with competition from the DCG, which they believe will appeal to voters on the left who are dissatisfied with the social accomplishments of the Mendez administration.

INSTABILITY AND INSECURITY

Two factors inhibit confidence that a normal transfer of power will occur. One is the belief within each party and legitimate political force that all the others are predatory. The mutual distrust and real fear of one another create a climate of apprehension and provoke cycles of defensive contingency planning and conspiracy. The other threat, more easily defined but as difficult to measure, is the subversive one.

25X1

INTERPARTY TENSIONS

Although each party apparently has an honest desire for proper elections, all have shown a congenital inability to resist the sort of electioneering tactics that undermine stability. Both opposition parties have harped on the government's control of the election machinery and have warned of impending fraud. Both the left and the right have also accused the official party of harassment and intimidation. It is popularly believed that the PR is using official resources in its campaign. The right, by floating rumors that military cliques are plotting to overthrow the government, has played on the fears of the government and of leftist parties that military intervention will occur. The DCG, exploiting the government's inability to end Communist terrorism, claims falsely that its presidential candidate was the victim of an assassination attempt.

The candidate of the right, Colonel Arana, commands significant respect and support in military circles. In his public reiteration that "he will not accept defeat" if the elections are fraudulent, lies an implicit threat that he would use his army support to seize the government. The confidence of Arana and his followers that he will win an honest election despite indications that the government party is the likely victor adds credibility to this threat. Whatever the result, the radical wing of the rightist coalition probably will not admit that it lost honestly to the PR, and will exhort Arana to seize the presidency with his military support. Because Arana would be likely to succeed in such an attempt, a regular succession depends in large measure on his evaluation of the fairness of the election.

The government is fully aware of the threat from Arana and has moved to undercut his resources. President Mendez made numerous command shifts that deprived Arana loyalists of

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

important troop concentrations. The impact within the armed forces and the effect, if any, on their mood is not yet clear. There seems to be an unusual lack of unity in the officer corps now, although it may be more apparent than real. The unprecedented concentration in Guatemala City of reputedly "left-leaning" commanders in control of the troops there has led to talk, probably unfounded, that they would forcibly prevent an Arana victory.

THE INSURGENT THREAT

A persistent goal of the Communist insurgents has been to provoke a military take-over of the government, thus creating a climate of repression they believe would benefit them. The insurgency movement has its roots in a young army officers' revolt in November 1960, following which the dissidents established a guerrilla base in the northeastern mountains. The guerrilla movement was taken over by Communists, and guerrilla and terrorist attacks have plagued Guatemala ever since. They provided the most serious threat to stability during the military regime (1963-66) and in the early days of the incumbent Mendez government. Under Mendez, special units of the army and police launched an all-out attack on the subversives, employing clandestine groups for an assault on the Communists. That program was highly effective in disrupting the Communists' networks and bases and in inhibiting continued support from their sympathizers. The attendant wave of violence, however, was indiscriminate. Although it presumably shrank the insurgent ranks significantly, it also victimized hundreds of innocents. The campaign was halted in March 1968, and Communist activity since then has concentrated on re-evaluating assets, regrouping, training, tightening the organization, and recruiting.

Secrecy and compartmentation within the Communist organizations have been very effective, and evaluation of the current Communist threat is at best imprecise. The ability of the Communists to create a serious crisis in Guatemala is clear, however. They have an undisputed capability for hit-and-run terrorist acts, in which they engage with some regularity. Their criminality is professional; they choose targets selectively and they effectively execute well planned operations. Assassinations and kidnapings are their specialty in urban areas. They are believed to have acquired several hundreds of thousands of dollars from kidnapings in the past three months alone. Their style of operation has been to alternate periods of activity and quiet. 25X1

They have, in fact, stepped up their activity to the extent that the government has been under extreme pressure to enforce stringent security measures. A minimum state of emergency to grant the police extraordinary powers without limiting the election campaign was invoked, but terrorism has continued sporadically since early December. A main target has been security personnel, nine of whom have been assassinated in this period. Two prominent public figures, a respected conservative candidate for mayor of Guatemala City and a highly regarded editor of Guatemala's largest newspaper, were also assassinated. In December the subversives also set a series of firebombs in downtown Guatemala City, causing damage estimated in the millions.

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1

Although the pressures and tensions created by these acts have been heavy and disruptive, the short time remaining until the balloting on 1 March makes the outlook for holding elections good. There remains the possibility, however, that the terrorists can manage one spectacular act, such as the assassination of one of the presidential candidates, that might ruin the electoral process.

POSTELECTION PROSPECTS

The postelection period may well develop into one of crisis. If no presidential candidate secures an absolute majority of the popular vote, it is up to the Congress to choose between the two candidates with the highest popular vote. The constitution, however, is unclear as to whether the outgoing or incoming congress has that responsibility. The government party has a comfortable majority in the incumbent legislature, but if it lost that advantage in the new congress, the issue of which congress should choose the chief executive could be a difficult one to solve peacefully.

If the PR's Mario Fuentes is victorious, as presently seems likely, there will almost surely be some disruptive action by extremist backers of Carlos Arana. If Arana himself heeds the blandishments from coup-prone elements, a serious crisis would be all but inevitable.

25X1

25X1

During the election period, President Mendez has resisted initiating a full anti-Communist program. He believes that doing so would encourage violence, which in turn would diminish the vote for the government party and increase that for the right. If he is confronted with a continuing high level of Communist activity after the elections, however, he may turn again to the extralegal method of counterattack, especially if he believes this would undercut any rightist coup movement.

The prospects for the peaceable fulfillment of the constitutional schedule for the installation of a new government, therefore, are not bright. If, however, the current commitment by all the major political forces in Guatemala to "make a beginning" prevails over traditional antidemocratic habits, the country could begin to see progress toward coping with the nation's multitude of social and economic ills.

25X1

* * *

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Secret

Secret

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Secret

25X1

DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Finland Prepares for Parliamentary Elections

Secret

№ 13

20 February 1970
No. 0358/70A

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

25X1
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Page Denied

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

FINLAND PREPARES FOR PARLIAMENTARY ELECTIONS

During the past five months representatives of Finland's eight political parties have been crisscrossing the nation in an attempt to gain support in the parliamentary elections scheduled for mid-March. At issue is the record of the two center-left coalitions that have governed Finland since 1966. The burden of defending their performance has fallen on the Social Democrats, who, as the largest party in both coalitions, have twice held the prime ministership. The performance of the other major coalition partners, the agrarian Center Party and the Communist-dominated Peoples Democratic League, also is being debated, however. Political polls forecast a shift away from the parties in power, but the necessity to gain Moscow's acceptance of any Finnish coalition would seem to rule out any significant change in the government that will take office after the March elections.

A record three million Finns will have a chance to express their opinion of four years of popular front government when they go to the polls on 15 and 16 March. In the face of the doubts held by many political observers at home and in other Western countries that a government coalition including the Communists could work, the Finns have succeeded in carrying out a wide variety of economic and social reforms under the popular front's auspices and have lived through perhaps the most stable parliamentary term in Finland's history.

INTERPARTY RELATIONS PRIOR TO 1966

Considerable prejudice against the Communists had to be overcome for this achievement to be realized. At the birth of the republic in 1917, made possible by the rapid collapse of Russia in the wake of the October revolution, the Finns were aware that their independence rested on the weakness of the Bolsheviks rather than on their sincere subscription to the principle of self-determination. This was underlined when civil war broke out early in 1918 between the bourgeois "whites," openly backed by imperial Germany, and the socialist "reds," surreptitiously backed by Soviet Russia. As the "reds" were forced back toward the Soviet border, their radical wing captured leadership of the cause, and after their defeat, the radicals became the nucleus of the Finnish Communist Party, founded in Moscow in 1918. For the next quarter of a century the Finnish Communists, based in the Soviet Karelo-Finnish region athwart Finland's eastern border, launched propaganda and infiltrated agents to subvert the bourgeois republic.

In 1944, following Finland's overwhelming defeat at the hands of the USSR, the Finnish Communists, as a "democratic" party, were allowed to re-establish themselves in their homeland and were invited to take part in the government. This honeymoon lasted until 1948, when the Communist minister of interior advised Paasikivi, then president, that a Communist takeover was in the works. With the example of Czechoslovakia fresh in their minds, the army and police swiftly nipped the planned coup in the bud and, following parliamentary elections that year, the Communists were sent into political exile, which was to last 18 years.

During the first half of this exile Finland was governed by a "red-green" coalition of the Social

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Democratic and Agrarian (subsequently Center) parties. The Social Democrats themselves had been in political exile during the first decade of the republic's existence because of their identification with the losing "red" cause in the Civil War. Their willingness to accept the bourgeois republic, as well as their status as the nation's largest political party firmly grounded in the trade union and cooperative movements, protected the Social Democrats during Finland's brief flirtation with some of the elements of fascism in the early 1930s, and these qualities finally convinced the parties on the right that they would be a reliable coalition partner. Even while the Social Democrats were gaining respectability on the right, however, they were subjected to constant Communist efforts to infiltrate and subvert the labor movement, and were labeled as "social fascists" or "social traitors." The ire of the Soviets and the Communists was particularly aroused by the Social Democrat's energetic support of the struggle against the USSR between 1939 and 1944. After the Finns were defeated, the Soviets made sure that the Social Democratic Party's chairman, who served in the all-party coalition during the war, was tried on charges of being "responsible for the war" under the terms of an ex post facto law that was contrary to the Finnish constitution but was enacted under Soviet pressure.

In the immediate postwar period, the Social Democrats were fervently wooed by the Communists, who formed a Peoples Democratic League hopefully as a vehicle for their joint efforts. Except for a small minority on the far left, the Social Democrats refused to give way to these blandishments and instead stubbornly fought the Communists' efforts to take over the labor movement. After the Communist setback in 1948, the Soviets renewed their attacks on the Social Democratic leadership. By a combination of threats and bribes, the USSR brought about a split in the party and trade union movement, which resulted in the formation of the splinter Social Democratic League. With the cooperation of the Agrarian (Center) Party led by President Urho Kekkonen, the Soviets succeeded in excluding the Social Democrats from the government from 1958 to 1966.

The Agrarians, representing the more prosperous segments of the Finnish rural population, had been a junior partner in nearly all of the nation's prewar governments. Only after the other bourgeois parties had discredited themselves in Soviet eyes by refusing to heed Urho Kekkonen's wartime plea for peace with Moscow was the road clear for the Agrarians to move up to national leadership. The image of Kekkonen's party was enhanced by the success of its efforts to resettle the Finns displaced by the loss of Karelia to the USSR and to return the economy to normal after completing payment of heavy postwar reparations.

Kekkonen, as prime minister during most of the period from 1950 to 1956 and as president since then, concentrated his efforts in the area of foreign policy, and gained the reputation, warranted or not, as the only Finn who could deal with the Russians. By association, this reputation was extended to Kekkonen's Agrarian (Center) Party generally, and as a result, the post of foreign minister virtually became the party's property. The Agrarians were not reluctant to use their position as guardians of the so-called Paasikivi-Kekkonen foreign policy line—neutrality friendly to the Soviet Union—to act as a judge of the reliability of their major competitors for the non-Communist vote, the Social Democrats and the conservative National Coalition Party. At the same time the Agrarians entered into competition with the Communists for the title of the party most useful in facilitating good relations with Moscow.

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

THE 1966 ELECTIONS

Despite successes in the political wars, the Agrarian Party leadership, and particularly President Kekkonen, soon realized that the balance was gradually going against it. The primary reason for this was the erosion in the party's constituency as a result of Finland's transformation from a rural, agrarian society to an urban, industrial one. Not only were Finns moving off their farms into provincial towns, but there ensued a great migration from the poorer, traditionally Agrarian—and Communist—north and east to the more prosperous south and southwest, areas of traditional Social Democratic and conservative predominance. In an effort to project an image that would have more appeal for uprooted Agrarian adherents now in the cities, the party in 1965 changed its name to the Center Party.

A second reason for the shift away from the Center Party was the success of the Social Democrats and Communists in refurbishing their image. Persons in the Social Democratic leadership who were obnoxious to the Soviets either retired or resigned, and an "opening to the left and to the east" was espoused. The party not only strove to bring its one-time members in the splinter Social Democratic League back into the fold but also extended feelers to the Communists and radicals in the Peoples Democratic League. The leaders of the Social Democratic Party attempted in addition to present a more positive image in their relations with the Soviet Union and advocated a more activist approach in carrying out Finland's neutral foreign policy.

The Communists responded affirmatively to the Social Democratic initiatives, thanks to the rising influence of a new generation of leaders forming the liberal wing of the party. Aware that old Communist appeals were increasingly irrelevant to the conditions of Finnish society, the liberals brought about a shift of emphasis in party doctrine from violent, revolutionary change to gradual reforms through parliamentary means. Cooperation with all "progressive" groups was sought, and to this end, election alliances were made with the splinter Social Democratic League throughout the country. Approaches to the Social Democratic Party were unavailing because of the latter's standing policy against forming election alliances. The Social Democrats displayed greater willingness, however, to cooperate with the Communists in other areas, especially in the splintered trade union movement, than at any time since 1948.

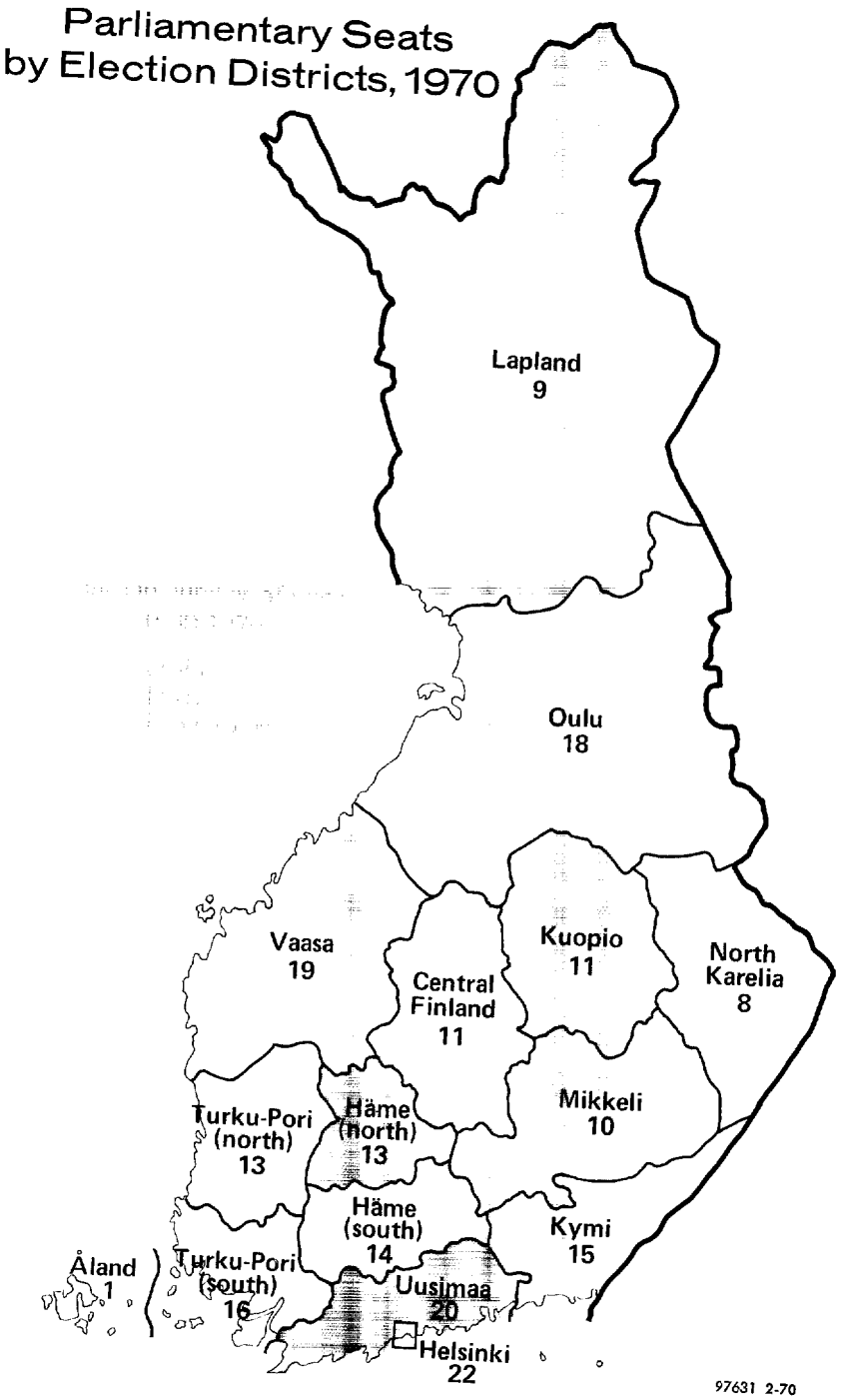
The damping down of disputes on the left half of the political spectrum, combined with an appearance of respectability and of renewed initiative resulted in a landslide for the Social Democrats. In the 1966 elections they picked up 17 additional seats in Parliament, climbing back from their 1962 low point, and they increased their support by 44 percent, or nearly 200,000 votes, while the vote for all parties increased only 70,000. The only other party to pick up seats in Parliament was the Social Democratic League, which did so at the expense of its electoral alliance partner, the Communist-dominated Peoples Democratic League. After the Communists saw how cleverly their junior partner had turned electoral alliances to its advantage, they vowed that the number and terms of such future alliances would be more rigorously controlled to yield greater benefit to the Communists.

THE PAASIO GOVERNMENT, 1966-1968

President Kekkonen, concerned about the power position of his Center Party, called on the Social Democrats, as the largest party and the only true victors in the 1966 election, to form the broadest possible coalition, including the Communists. The way for such an idea, unthinkable only

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8



Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

a short time earlier, had been carefully prepared by the President in the years immediately preceding the election. In a series of addresses he deplored the divisions in the nation resulting from the 1918 Civil War and the isolation of the Social Democrats and Communists, representing half the electorate, from the center of power. Some observers of the Finnish political scene believed that Kekkonen was, through an act of consummate statesmanship, attempting to make amends for the rancor his own actions had created during the postwar period, but most believed that Finland's master politician had merely seen the handwriting on the wall earlier than had his contemporaries.

In any case Social Democratic Party chairman Rafael Paasio agreed to become prime minister, and after more than two months of rugged negotiating, put together a coalition including the Social Democrats, Center, Peoples Democrats (two of whom were Communists), and the splinter Social Democratic League. The Center Party occupied the Foreign and Defense ministries. It agreed to give up the Interior Ministry to the Social Democrats, moreover, only if the police and border guard were subordinated to the minister of defense acting as "assistant" to the minister of interior. The Social Democrats reached into their ranks of technicians outside Parliament to staff the key ministries of Finance and Education, in which areas they intended to carry out wide-ranging reforms. As for the Communists, only ministries of secondary importance were offered, and each of these positions was backstopped by a Social Democratic or Center appointee to monitor Communist activity.

For much of its first year in office the Paasio government devoted its energies to adjusting to the new political line-up. It soon became apparent that Paasio himself was no leader, despite his years of service in the party and Parliament [redacted] it soon became apparent that he was unable to establish good working relations with either President Kekkonen or the Soviets. Alarmed at the frittering away of the party's opportunity to prove itself, younger Social Democrats pushed through a resolution that no man could serve simultaneously as party chairman and prime minister. Paasio, uncomfortable as prime minister, opted for retaining his party post and resigned from the government in early 1968 following the election of President Kekkonen to a third six-year term.

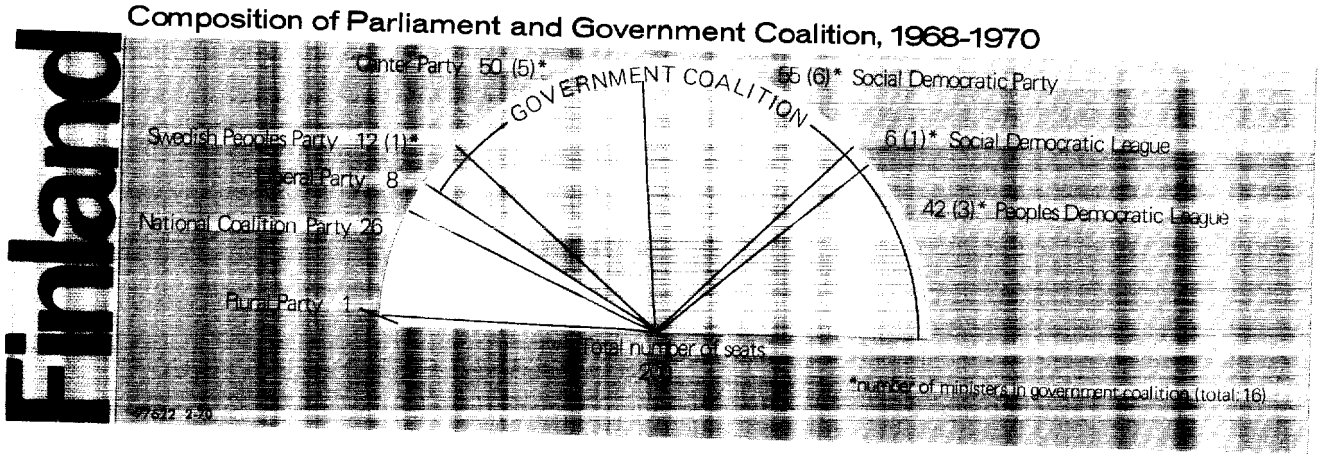
25X6
25X6

THE KOIVISTO GOVERNMENT, 1968-1970

To replace Paasio the Social Democrats named Mauno Koivisto, a political unknown from the cooperative and workers' saving bank movement, who had been drafted in 1966 into the post of minister of finance. Koivisto, with the advantages of a working-class background, a lack of identification with any group in the party, relative youth, and good looks, proved to be a skillful minister, carrying out a budget reform and a successful devaluation in late 1967. He also displayed a refreshing candor in his relations with the public, was fluent in both Swedish and Russian, and seemed to be acceptable to Kekkonen and the Soviets. All these qualities created a certain euphoria in the party, and he was soon being touted as presidential timber in 1974. In an effort to cut Koivisto down to size, the Center Party demanded that, in addition to presidential hopeful Foreign Minister Ahti Karjalainen, the new cabinet include a third presidential hopeful, the former prime minister and chairman of the Center Party, Johannes Virolainen, as minister of education. By so doing the Center Party hoped to take over an area where the Social Democrats had earned considerable credit by introducing a comprehensive school reform, closing the sharp division between the academic, technical, and vocational courses of study in the secondary schools,

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8



and making university admission available to a larger share of the school-age population. Besides the shifts brought about through jockeying between the Social Democratic and Center parties, the Koivisto cabinet was expanded to accommodate the Swedish Peoples Party, which left the opposition because it believed that the interests of Finland's Swedish-speaking minority would be better served if its principal political exponent were in the coalition.

During its term in office, the Koivisto government has devoted nearly all of its energy to transforming the economy. In the wake of the 1967 devaluation, a broad range of reforms in fiscal, monetary, wage, price, income, and employment policy have been introduced. The thrust of these reforms has been to contain price inflation, promote private domestic investment, reduce government unemployment assistance, and promote labor mobility through retraining. The reforms are also aimed at phasing out marginal agricultural production and reducing surpluses, encouraging industrial diversification and export promotion, separating wage agreements from the cost-of-living index, increasing housing construction in urban areas, removing barriers to trade, and promoting closer economic relations with Finland's Nordic neighbors. With the assistance of numerous bright, young Social Democratic technicians and the strong backing of President Kekkonen, Koivisto has been able to chalk up a remarkably successful record of accomplishment in a relatively short period of time.

COALITION SHORTCOMINGS: PROBLEMS FOR THE SOCIAL DEMOCRATS

The coalition's record has been marred, however, by instances of failure. In some cases these could not be helped, but in other cases they stemmed from Koivisto's political inexperience. The most nagging problem has been the unemployment rate, which soared to 4.6 percent in mid-1968, the highest figure in a decade, and which has tapered off only gradually since then. The Social Democrats have been attacked not only by the opposition but also by the other parties in the coalition as insensitive to the needs of the people. Despite this criticism, Koivisto has persisted in his policy of reducing government assistance through the dole and public works, hoping that the unemployed who are concentrated in the poorer agricultural and forest areas of the north and east will decide to migrate to the more prosperous, labor-deficient industrial areas

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

of the south and southwest. Unfortunately, once the rural poor pull up roots, they tend to keep moving until they reach prosperous Sweden, which now has employed nearly 100,000 Finns. If this trend persists and the birth rate continues to drop, Finland's total population could eventually show a net loss at a time when its economy needs labor.

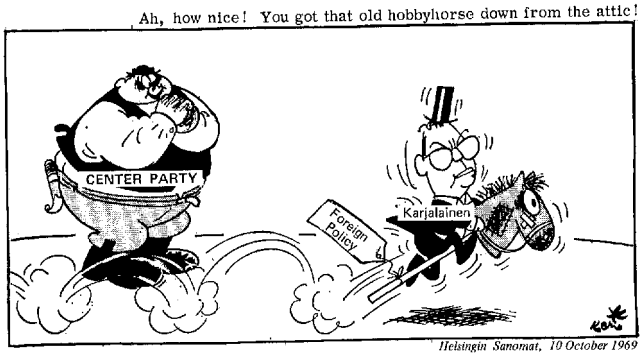
Another area of controversy has been Koivisto's identification with the aim of full participation by Finland in the proposed Nordic Economic Union (NORDEC). At first the other political parties in and outside the government were content to let Koivisto carry the ball on this proposal in the belief that it would never get off the ground. However, once the project began looking feasible, the Communists, under pressure from their conservative wing, began attacking the idea as inimical to Finnish-Soviet relations. In addition, Foreign Minister Karjalainen, with the backing of the Center Party, set about to torpedo the project because he was piqued that Finland might gain a foreign policy success not directly attributable to his own efforts. Koivisto, enraged at these eleventh-hour betrayals, threatened to pull Finland out of NORDEC negotiations, resign from office, and place the issue before the voters. The outrage expressed both at home and in the other Nordic countries at this indiscreet display of political squabbling over an issue vital to the interest of the whole Nordic area forced Koivisto and his adversaries to backpedal and restore gradually the status quo ante. In the process Finland and its leaders came out looking pretty foolish.

A third area of dispute has been the government's agricultural policy. The nation is burdened with a butter and grain glut caused by agricultural subsidies enacted under Center Party sponsorship. The Social Democrats have advanced nearly every expedient to reduce these surpluses short of destroying them, but these proposals have been blocked by the Center Party. The agricultural reforms agreed on—reducing land under cultivation and adjusting prices paid to farmers—are long term in nature, and the continued growth of agricultural surpluses meanwhile has become an acute embarrassment. For its part, the Center Party continues its attack on Social Democratic policy, even resorting to the argument that studies released to the press showing that margarine produces less cholesterol than butter are part of a socialist plot against the farmers.

OTHER PARTY POSITIONS
CENTER PARTY

In addition to agriculture, the Center Party has dusted off foreign policy, and particularly relations with the Soviet Union, as an election issue. Despite the protests of the other political parties that the principles of Finland's policy as expressed in the Paasikivi-Kekkonen line are universally accepted, the Center Party persists in touting its own skills in advancing Finland's interests. Thus, it has pointed out that the favorable response to the Finnish initiative on the European security conference and the selection of Helsinki for the opening of the strategic arms limitation talks (SALT) are proof that Center Party strategy on behalf of Finnish neutrality has received international recognition.

Ah, how nice! You got that old hobbyhorse down from the attic!



Helsingin Sanomat, 10 October 1969

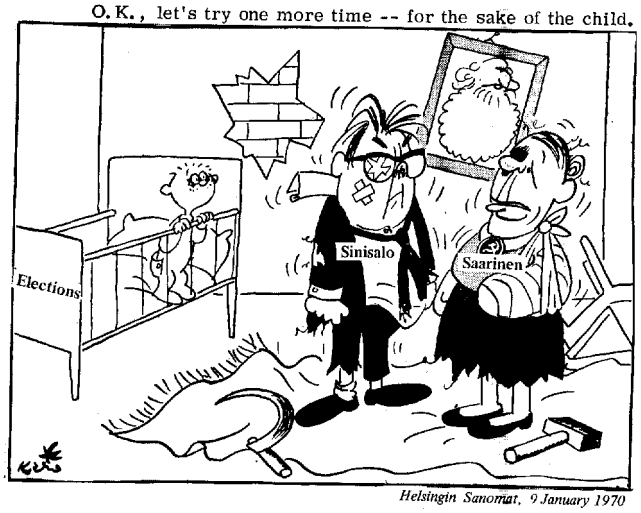
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8
SECRET

A new issue has been developed for the Center Party by Education Minister Virolainen in the debate over reform of the universities. In an attempt to pander to the youth, which has become bored with the Center Party, Virolainen, with silent Communist backing, came down hard for the principle of "one man, one vote" in university administration. If adopted, this would mean that the universities would be turned over to the students, who have an edge of ten to one over the faculty. The Social Democrats have denounced this stand as sheer opportunism, and with the aid of the parties on the right they would probably squelch the proposal if it were ever to come to a vote. Still another issue, welling up from the Center Party's grass roots, is dissatisfaction with the broadcasting policies of the state radio and television. In the eyes of Center Party voters, as well as of supporters of right-wing parties, the Finnish Broadcasting Company, under its new Social Democratic director, is too left wing, both in its presentation of news and documentaries, and in its willingness to satirize such shibboleths as patriotism, motherhood, and religion, and to slip in items not suitable for children. The Social Democrats have responded to these attacks only by pointing to bourgeois dominance of the press and publishing media.

THE COMMUNISTS

The Communists have been silent in the election campaign until quite recently. This is not so much a reflection of their satisfaction with the policies of the coalitions in which they have participated as the result of a split between the party's liberal and conservative wings. Tension between the two factions built up throughout the early 1960s as the liberals gradually occupied positions of influence in the party and modernized its program. These differences were intensified by the liberals' condemnation of the Soviet invasion of Czechoslovakia. The extent of the



Helsingin Sanomat, 9 January 1970

split was not revealed to the public, however, until the party congress last April. At that time the conservatives walked out in protest against the liberal composition of the party's central organs and thereupon began organizing parallel party organizations of their own to lay claim to Communist loyalties. The Soviets, alarmed at thy possible demise of a major West European Communist party—the only one to sit in a government—forced the adversaries to negotiate until a compromise was reached. The two sides came to grudging agreement in January, but neither side has any confidence that the arrangement will last beyond the election. Many believe that the damage done to the party and its front, the Peoples Democratic League, is already too great to be repaired before the elections, and that a considerable number of the League's supporters will stay home in protest.

Only now are the Communists developing a program. For the most part they are drawing on the arsenal of charges developed by the conservatives in their attack on the liberals' participation in the center-left coalition. The essence of their argument is that the government is spending too much, forcing a rise in taxation, and yet is not

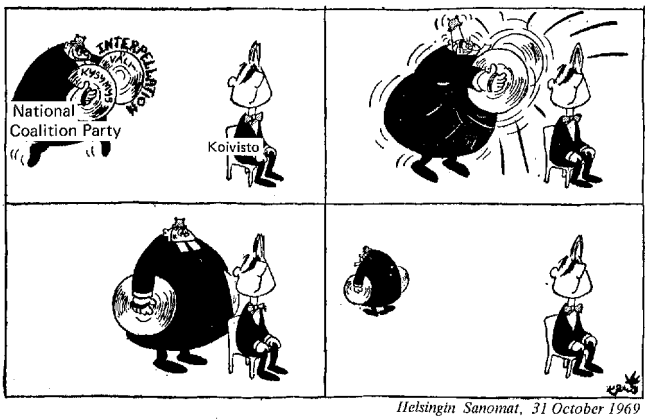
SECRET
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8
SECRET

spending enough to obtain increased pensions, more housing, and greater state control over or participation in such fields as banking, insurance, and medicine. In addition, the Communists charge the Social Democrats with selling out to the bourgeoisie by their failure to tax corporate profits more heavily, to carry out a thoroughgoing tax reform that would place heavier burdens on the wealthy, or to introduce industrial democracy by giving employees a greater voice in running their places of work.

NATIONAL COALITION PARTY

Many of the same arguments are repeated, but with different emphases, by the conservative National Coalition Party. Thus, in their interpellation of the government in Parliament last fall, the conservatives attacked the imbalance in public finances, the failure of the government to solve agricultural and unemployment problems, higher taxes, and "creeping socialism." At the same time the conservatives denounced as excessive most of the controls imposed on the economy in the fight against inflation and called for increased military expenditures. Koivisto's reaction to these inconsistent demands has been low key; he has pointed out that structural economic changes are costly and long term, and that the government is trying to minimize their harmful side effects.



Helsingin Sanomat, 31 October 1969

THE RURAL PARTY

The only other party to attract national attention has been the radical rightist Rural Party, the brainchild of former Center Party member Veikko Vennamo. The Rural Party mustered only enough votes in 1966 to get one seat in Parliament, but by aiming demagogic appeals to the electorate in both the countryside and the cities, its share of the vote jumped from 1 percent in 1966 to 7.3 percent in the 1968 local elections. Vennamo also ran in the 1968 presidential election and scored an impressive 11.3 percent as a result of his no-holds-barred campaign aimed at President Kekkonen. The Vennamo phenomenon has refused to disappear, and as seen in two special elections last fall as well as in political polls, the party's strength continues to grow, to the dismay of the other parties. The Rural Party particularly draws support from the "backwoods" Communists and supporters of the Center Party, who have become alienated because they feel party leaders based in Helsinki are willing to desert party principles to gain a place in the government. The party is irresponsible and has no program except to attack the government constantly. During the presidential campaign, Vennamo even went so far as to call for revision of Finland's eastern frontiers. For obvious reasons the Rural Party has been regularly denounced by Moscow as a "revival of fascism" and harmful to continued good Finnish-Soviet relations.

POLITICAL TRENDS AND POSSIBLE OUTCOME

The attitude of the Soviet Union is decisive to the outcome of the March election. If it were not for Finland's geographic location, the trend to the right noted since 1966 in such barometers as the local elections of 1968 and numerous public opinion polls would probably result in a bourgeois victory and a right-center or right-socialist

SECRET
Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Support (by percent) of Political Parties, 1966-69

Party	Parl. elections 3/66	Local elections 10/68	Opinion Poll 12/69
Rural Party	1.0	7.3	8.0
National Coalition Party	13.8	16.1	17.0
Liberal Party	6.5	6.5	8.0
Swedish Peoples Party	6.0	5.6	6.0
Center Party	21.2	18.9	16.0
Social Democratic Party	27.2	23.9	26.0
Social Democratic League	2.6	1.8	2.0
Peoples Democratic League	21.2	16.9	17.0
Other	0.5	4.0	
	100.0	100.0	100.0

coalition government. Moscow, however, over the years has taken upon itself the task of passing on the acceptability of different Finnish political combinations. No matter how the electorate votes, Finnish politicians realize that the right-center alternative, which would include Vennamo, would not be tolerated by the Soviets, while the right-socialist combination, even without Vennamo, would also be repugnant. Thus, the Finns are limited to choosing from a center-left combination of varying breadth, an all-left government, an all-party coalition, a one-party minority government, or a government of nonparty technicians. The last three options are chosen usually in periods of national or parliamentary crisis, and an all-left government would not be possible, as it would not have a parliamentary majority behind it. The most likely combination to emerge from the 1970 election, therefore, will be a center-left combination similar to the present one, with variations expanded slightly to include the Liberal Party or diminished slightly to exclude the Swedish Peoples Party.

Complicating the picture is the void surrounding the post of prime minister. Some observers believe that the Center Party, as the largest single "bourgeois" party, would be given the mandate for forming a government, despite its anticipated electoral losses, if the five "bourgeois" parties between them managed to gain a "majority" in Parliament. In such case, the most likely candidates would be the old war horses, Virolainen and Karjalainen.

On the other hand the Social Democrats will probably remain as the largest party, regardless of ideology, and the only coalition member likely to come out of the March election with its party base intact. Thus, they are very much in the running for leadership of a new coalition. The party's choice of candidates for the prime minister's post, however, is limited. The incumbent, Koivisto, has already made it clear that he has no stomach for the frequently ad hominem style of political infighting practiced in Finland, and he has stated for the record that nothing will make him happier than to leave his post to return to the job of Governor of the Bank of Finland. Koivisto's public statements on other subjects have consistently demonstrated that he means what he says.

On the other hand, there are no obvious successors to Koivisto. The ambitious minister of industry, Vaino Leskinen, is despised within his Social Democratic Party as well as generally for blatantly toadying to Moscow's wishes after having once been a leader of the party's anti-Soviet right wing. The most popular man in the party and the architect of its 1966 victory, Kaarlo Pitsinki, has been unable to persuade the Soviets that he is politically reliable; thus blocked from political advancement, he has withdrawn from active political life to become the nonpartisan governor of Uusimaa Province. Socialist intellectuals, such as parliamentary foreign affairs committee chairman Pekka Kuusi and political

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

scientist Pentti Viitta, and bright young bureaucrats such as national labor mediator Keijo Liinamaa and state secretary Paul Paavela, have made no enemies, but at the same time they have no political base within the party. It is possible, therefore, that the reluctant incumbent may be drafted to continue as prime minister to enable him to reap the credit when his policies bear fruit, thereby promoting his chances in the 1974 presidential election. [redacted] 25X1

* * *

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8

Secret

Secret

Approved For Release 2009/03/27 : CIA-RDP79-00927A007700010001-8